

W-2 Health Coverage Reporting Requirement Under The Affordable Care Act Delayed

On October 12, 2010, the Internal Revenue Service (IRS) released guidance stating that employers will NOT be required to report the aggregate cost of employer-sponsored health coverage on employees' W-2 forms issued for 2011.

This W-2 reporting requirement was introduced by the Affordable Care Act. The IRS delayed the W-2 reporting requirement to give employers more time to make necessary changes to their payroll systems.

This delay in reporting means that the cost of health coverage does not have to be provided for any W-2 that reflects work performed in 2011, whether the W-2 form is provided during 2011 or 2012. It is anticipated that the IRS will address issues regarding calculation of value, how rates for continuation of health coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) are used. Other issues to be addressed will consist of, what benefits are included, and how individual account plans, such as health reimbursement arrangements are treated, when it provides guidance on W-2 reporting later in 2010.

The IRS also released a draft W-2 form with a box to report the value of health coverage.

However, employers are not required to use this form for coverage provided in 2011, although they have the option to do so.

The Treasury Department/IRS anticipates issuing additional guidance on the W-2 reporting requirement by the end of 2010.

What This Means For Counties

The delay in the form W-2 requirement provides significant short-term relief to counties, as well as for departments within and service providers used by the counties that prepare W-2 forms.

The W-2 reporting requirement is informational only and the use of the W-2 form with the box to report the value of healthcare coverage is optional.

An individual will be able to see the value of healthcare coverage provided by his/her employer, but will not be taxed on the value of that coverage. The IRS has not yet issued guidance as to how to calculate the value of healthcare coverage, that will come at a later date.

For more information, contact CTSI at 303-861-0507.